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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000065

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SUBJECT: DPP SUFFERS STUNNING DEFEAT IN JANUARY 12
LEGISLATIVE ELECTIONS; REFERENDA ALSO FALL SHORT

Classified By: AIT Director Stephen Young, Reasons: 1.4 (b/d)

(CORRECTED TO ADJUST PARAGRAPH NUMBERING)

¶1. (C) Summary: The DPP suffered a major reversal in the January 12 legislative elections, capturing only 27 seats, less than a quarter of the 113 seats in the new Legislative Yuan (LY). The opposition KMT won 81 seats, while pan-Blue allies took the remaining 5 seats, giving the KMT a two-thirds and the pan-Blue bloc a three-fourths majority in the LY. Two competing referenda proposed by the DPP and the KMT fell far short of meeting the threshold for validation (participation by 50 percent of eligible voters). Taking responsibility for the LY election defeat, President Chen Shui-bian resigned as party chairman, with presidential candidate Frank Hsieh taking over as acting DPP chairman. With the LY elections now over, attention will immediately shift to the presidential contest between Hsieh and KMT candidate Ma Ying-jeou, the March 22 election date being less than ten weeks away. End Summary.

DPP Loses Big, KMT Gains Super Majority

¶2. (SBU) The ruling DPP suffered a humiliating reversal in the Legislative Yuan (LY) elections on Saturday, January 12. Balloting and vote counting were orderly as Taiwan shifted to a new electoral system that features one ballot for 73 single member districts and 6 aborigine seats, and a second ballot for 34 party list at-large seats. The DPP fell far short of its own expectations, capturing only 27 seats, less than one-fourth of the new 113-seat legislature. The smaller pan-Green party, the Taiwan Solidarity Union (TSU), won no seats in the new LY.

¶3. (SBU) By contrast, the opposition KMT won 81 seats, over a two-thirds majority. Five other district and aborigine seats went to pan-Blue allied parties and independents, with the Non-Partisan Solidarity Union (NPSU) taking three, the People First Party (PFP) one, and an independent one seat. The 86-seat KMT-led coalition exceeds a three-fourths majority in the LY, a one-party dominance not seen in Taiwan since 1992. Voter turnout was around 59 percent of Taiwan's 17.3 million eligible voters, a level comparable to the last legislative elections held in 2004 under a different electoral system.

14. (SBU) Despite winning 38 percent of the votes, the DPP managed to win only 13 of the 73 district seats and none of the 6 aborigine seats. As a result, the percentage of district seats held by the DPP will drop from the 40 percent elected in 2004 to just 17 percent when the new LY convenes on February 1. Of the 48 seats in all northern and central Taiwan, the DPP won just 2 seats in Taipei County and those by narrow margins. The 2005 local elections reduced the area of DPP control to southern Taiwan, and this election further shrank the DPP-majority area to three districts: Tainan City and County (President Chen's hometown) and nearby Pingtung County. Especially hard to take for the DPP were the loss of 6 of 9 seats in Kaohsiung City and County.

15. (SBU) The KMT's 54 percent of the vote translated into 61 of the 79 district and aborigine seats. The KMT percent of district seats increased from 35 percent (2004) to 77 percent (2008). In addition to winning virtually all of northern and central Taiwan, the KMT made important gains in the south--the DPP "heartland"--winning 9 of the 20 seats up for grabs. KMT candidates were boosted by presidential candidate Ma Ying-jeou's highly visible campaigning in certain key districts and by the party's strong grassroots organizational networks.

16. (SBU) Other than its victories in three southern areas, the only relatively bright spot for the DPP was its performance in the party representational vote. The DPP received 37 percent of ballots cast to the KMT's 51 percent, with the remaining 12 percent split by ten small parties. Although the pan-green TSU and the pan-Blue New Party made respectable showings, each winning 4 percent of the vote,

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that did not meet the 5 percent minimum threshold required to receive any of the 34 at-large seats. As a result, the KMT and DPP will divide these seats 20 to 14.

17. (SBU) At the elections on January 12, voters were also able to cast ballots on two competing national referenda proposed by the DPP and by the KMT. The DPP proposal called for nationalizing the KMT's "illegally gotten" party assets, while the KMT's counter-proposal was aimed at taking "anti-corruption" measures against the DPP. About two weeks before the election, the KMT reversed its position, instructing supporters not to participate in the balloting for either referendum. The KMT boycott ensured that neither referendum met the threshold requirement (50 percent participation by eligible voters) required to validate a referendum. For both referenda, 26 percent of eligible voters participated, with 91 percent of those voting approving the DPP measure, while 58 percent of participants approved the KMT proposal. The number of participants in the two referenda only slightly exceeded the number of DPP voters, so KMT supporters may have followed their party's call to boycott the referenda balloting.

President Chen Resigns Party Chairmanship

18. (SBU) As early results began to indicate the looming electoral rout, DPP leaders converged on party headquarters for a late evening meeting and press conference. A very somber President Chen announced his resignation as DPP chairman shortly after 9:30 PM on January 12. Flanked by presidential candidate Frank Hsieh and other party leaders, Chen offered congratulations to the KMT, stressed he would bear full responsibility for the DPP's "most disastrous" defeat since its founding in 1986, and bowed to express regret. Saying he felt "ashamed" of the electoral outcome, Chen added that the party does not have time to "feel sorry" as it faces the challenge of winning the March 22 presidential contest.

Hsieh Takes DPP Reins

¶9. (SBU) A special Central Executive Committee meeting on January 14 named Presidential candidate Frank Hsieh as acting DPP chairman, an office he will formally assume on Wednesday.

In comments to the press on January 13, Hsieh emphasized that the DPP needs to humbly reflect on its approach and performance. Learning from its past failures, the party needs to attract the enthusiasm and support of voters once again. Stressing he will take full responsibility for the party's performance in the presidential election, Hsieh vowed to retire from politics if he loses.

Ma, KMT Wary of Overconfidence

¶10. (SBU) KMT leaders, including Chairman Wu Poh-hsiung, presidential candidate Ma Ying-jeou, and LY Speaker Wang Jin-pyng, gathered at KMT headquarters to thank the party's supporters. Pledging the KMT would not "abuse" the enhanced power entrusted to it by the voters, Wu said the party would use its two-thirds majority to shoulder the "heavy responsibilities" of improving LY performance and moving Taiwan forward. Downplaying the LY victory, Ma underscored the need for the KMT to remain "cautious and humble" in the face of public demands for change and political stability. Ma added he hoped to gain momentum from this election outcome to win the presidential contest, but warned against the dangers of "arrogance."

Some Reasons for the KMT Victory

¶11. (C) Multiple factors contributed to the lopsided election results, which seemed to shock the leaders in both parties on election night. First and foremost, the winner-take-all nature of district races under the new electoral system gives the KMT an inherent advantage since it

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enjoys at least a slight majority of supporters in most areas and it can rely on the extensive network of KMT grassroots organizations to mobilize voters. For example, the overall voter base in Taipei City favors the KMT by 6-4. Under the old multi-member district electoral system the DPP could parlay its 40 percent support base into 40 percent or more of the 20 LY seats in the city. Under the new system, however, the KMT has majority support and can readily win 7 of the 8 new election districts, and in this election, the DPP also managed to throw away the one district in which DPP supporters are the majority. The redistricting process also favored the KMT by including 9-10 seats in small districts comprising the outlying islands, the east coast, and in the aborigine constituencies, where the DPP is not competitive.

¶12. (C) The KMT stayed on message throughout the campaign, playing the election as a referendum on President Chen's performance. The KMT outspent the DPP on campaign advertising by a wide margin, strengthening its negative message to voters about charges of economic mismanagement, corruption, and radicalism. Some KMT candidates, particularly in close races in southern Kaohsiung City and County, benefited from repeated campaign appearances by Ma Ying-jeou. By contrast, President Chen's promotion of socially divisive themes, such as his "anti-Chiang Kai-shek" moves, drove away moderate voters. Chen's campaign appearances may also have been a mixed blessing for candidates, helping in a few areas but being "poison at the polls" in others.

¶13. (C) In comparison to previous legislative elections, the KMT-led pan-Blue camp was more unified than the DPP-led pan-Green alliance. PFP candidates ran under the KMT banner and the two parties are expected to complete their merger in the coming weeks. The KMT, by introducing a democratic primary system modeled on the DPP and filling its at-large

party list with incumbents who lost in the primary competition, was able to prevent "rebel" Blue candidates from running in the races and siphoning off votes. In the past the DPP has been able to capitalize on pan-Blue splits to maximize its seats. In contrast, the DPP and TSU worked against each other this time, and TSU candidates cost the DPP a seat in at least one district (Chiayi City).

YOUNG